

MONTANA LEGISLATIVE HISTORY

Chapter 624 1989

Bill H B233 S _____

Original bill & history ✓ c

H. Committee on Ed & Cultural Res.

S. Committee on Finance & Claims

Hearing Date(s) h 1/23 _____ c
v 1/24 _____ c

Hearing Date(s) h v 4/06 _____ c
 _____ c

H. Approp. _____ c

h 3/02 _____ c

_____ c

Date Out h 3/08 _____ c

v 3/17

_____ c

Did this bill originate in an interim committee? _____ Yes _____ No

Committee _____

Report _____

HOUSE FINAL STATUS

3/18 TRANSMITTED TO GOVERNOR
 3/22 SIGNED BY GOVERNOR
 CHAPTER NUMBER 221 EFFECTIVE DATE: 7/01/89

HB 233 INTRODUCED BY BROWN, D., ET AL.
 ALLOCATE INDIRECT COSTS OF GRANTS AND CONTRACTS TO
 UNIVERSITY SYSTEM

1/17 INTRODUCED
 1/17 REFERRED TO EDUCATION & CULTURAL RESOURCES
 1/18 FISCAL NOTE REQUESTED
 1/23 HEARING
 1/24 COMMITTEE REPORT--BILL PASSED
 1/25 FISCAL NOTE RECEIVED
 1/26 FISCAL NOTE PRINTED
 1/28 2ND READING PASSED 91 2
 1/28 TAKEN FROM ENGROSSING
 1/28 REREFERRED TO APPROPRIATIONS
 3/02 HEARING
 3/08 HEARING
 3/17 COMMITTEE REPORT--BILL PASSED AS AMENDED
 3/20 2ND READING PASSED 90 1
 3/22 3RD READING PASSED 91 5

 TRANSMITTED TO SENATE
 3/22 REFERRED TO FINANCE & CLAIMS
 4/06 HEARING
 4/06 COMMITTEE REPORT--BILL CONCURRED
 4/10 2ND READING CONCURRED 49 0
 4/12 3RD READING CONCURRED 47 0

 RETURNED TO HOUSE
 4/18 SIGNED BY SPEAKER
 4/19 SIGNED BY PRESIDENT
 4/19 TRANSMITTED TO GOVERNOR
 4/24 SIGNED BY GOVERNOR
 CHAPTER NUMBER 624 EFFECTIVE DATE: 7/01/90

HB 234 INTRODUCED BY SPAETH, ET AL.
 REVISE FORMULA FOR CALCULATING CERTAIN BENEFITS
 UNDER PERS

1/17 INTRODUCED
 1/17 REFERRED TO STATE ADMINISTRATION
 1/18 FISCAL NOTE REQUESTED
 1/24 FISCAL NOTE RECEIVED
 1/25 HEARING
 1/26 FISCAL NOTE PRINTED
 1/30 SPONSOR FISCAL NOTE REQUESTED
 2/02 SPONSOR FISCAL NOTE RECEIVED
 2/03 SPONSOR FISCAL NOTE PRINTED
 2/03 REVISED FISCAL NOTE PRINTED
 2/15 COMMITTEE REPORT--BILL PASSED
 2/18 2ND READING PASSED 70 26
 2/20 TAKEN FROM ENGROSSING
 2/20 REREFERRED TO APPROPRIATIONS
 3/07 HEARING
 3/20 HEARING
 3/20 COMMITTEE REPORT--BILL PASSED
 3/22 2ND READING PASSED 81 11

HOUSE BILL NO. 233

INTRODUCED BY D. BROWN, VINCENT, ADDY, WHALEN,
SWYSGOOD, MARKS, EUDAILY, LYNCH

IN THE HOUSE

JANUARY 17, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON EDUCATION & CULTURAL RESOURCES.
	FIRST READING.
JANUARY 24, 1989	COMMITTEE RECOMMEND BILL DO PASS. REPORT ADOPTED.
JANUARY 25, 1989	PRINTING REPORT.
JANUARY 26, 1989	ON MOTION, CONSIDERATION PASSED FOR THE DAY.
JANUARY 28, 1989	SECOND READING, DO PASS.
	ON MOTION, REREFERRED TO COMMITTEE ON APPROPRIATIONS.
MARCH 17, 1989	COMMITTEE RECOMMEND BILL DO PASS AS AMENDED. REPORT ADOPTED.
MARCH 18, 1989	PRINTING REPORT.
MARCH 20, 1989	SECOND READING, DO PASS.
MARCH 21, 1989	ENGROSSING REPORT.
MARCH 22, 1989	THIRD READING, PASSED. AYES, 91; NOES, 5.
	TRANSMITTED TO SENATE.

IN THE SENATE

MARCH 22, 1989	INTRODUCED AND REFERRED TO COMMITTEE ON FINANCE & CLAIMS.
	FIRST READING.

APRIL 6, 1989

COMMITTEE RECOMMEND BILL BE
CONCURRED IN. REPORT ADOPTED.

APRIL 10, 1989

SECOND READING, CONCURRED IN.

APRIL 12, 1989

THIRD READING, CONCURRED IN.
AYES, 47; NOES, 0.

RETURNED TO HOUSE.

IN THE HOUSE

APRIL 12, 1989

RECEIVED FROM SENATE.

SENT TO ENROLLING.

REPORTED CORRECTLY ENROLLED.

1 *House* BILL NO. *233*
2 INTRODUCED BY *Don Brann Vincent* *Ally Whalen*
3 *Singapore* *Wicks* *Eubank* *Spicer*

4 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOCATING
5 REIMBURSEMENTS FOR INDIRECT COSTS OF UNIVERSITY GRANTS AND
6 CONTRACTS TO THE UNIVERSITY SYSTEM; AND PROVIDING AN
7 EFFECTIVE DATE."

8
9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

10 **Section 1.** Allocation of indirect cost reimbursements.

11 Any reimbursement for indirect costs associated with a grant
12 to or contract with the Montana university system or any of
13 its units is allocated to the designated subfund of the
14 university current fund, as provided in 17-2-102, for
15 distribution to the unit receiving the grant or under the
16 contract.

17 **Section 2.** Codification instruction. [Section 1] is
18 intended to be codified as an integral part of Title 20,
19 chapter 25, part 4, and the provisions of Title 20, chapter
20 25, part 4, apply to [section 1].

21 **Section 3.** Effective date. [This act] is effective
22 July 1, 1989.

-End-

INTRODUCED BILL
HB 233

In compliance with a written request, there is hereby submitted a Fiscal Note for HB233, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION:

A bill for an Act entitled: "An Act allocating reimbursements for indirect costs of university grants and contracts to the university system; and providing an effective date."

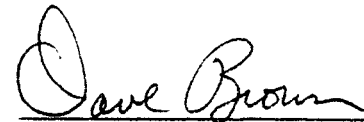
ASSUMPTIONS:

1. Assume indirect cost recoveries total \$4,908,700 for the biennium, or \$2,454,350 each year.
2. Assume present distribution system (i.e. 50% to current unrestricted fund, 50% to the designated fund).
3. General Fund would replace indirect cost revenue that is currently appropriated to the current unrestricted fund.

FISCAL IMPACT:

	Current	FY90		Current	FY91	
	Law	Proposed		Law	Proposed	
		Law	Difference		Law	Difference
Current Unrestricted Fund	\$1,227,175	\$ -0-	(\$1,227,175)	\$1,227,175	\$ -0-	(\$1,227,175)
Designated Fund	1,227,175	2,454,350	1,227,175	1,227,175	2,454,350	1,227,175
Total	\$2,454,350	\$2,454,350	\$ -0-	\$2,454,350	\$2,454,350	\$ -0-


RAY SHACKLEFORD, BUDGET DIRECTOR
OFFICE OF BUDGET AND PROGRAM PLANNING
1/24/89
DATE


DAVE BROWN, PRIMARY SPONSOR
1/25/89
DATE

Fiscal Note for HB233, as introduced

HB 233

MINUTES

MONTANA HOUSE OF REPRESENTATIVES
51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON EDUCATION AND CULTURAL RESOURCES

Call to Order: By Chairman Ted Schye, on January 23, 1989, at
3:00 p.m.

ROLL CALL

Members Present: All with the exception of:

Members Excused: Rep. Fred Thomas

Members Absent: None

Staff Present: Andrea Merrill, Legislative Council Researcher

Announcements/Discussion: None

HEARING ON HB 233

Presentation and Opening Statement by Sponsor:

Rep. Dave Brown, District 72, Butte said this is his fifth Legislative Session to carry this bill addressing overhead funds that go into research and development contracts for the University System. He said these funds include everything from heat and light to secretarial and computer support that surround the contractual proposals to each entity involved, whether it be the National Science Foundation or some private foundation. Rep. Brown stated HB 233 is also an incentive bill asking that the cost reimbursements to the University System be funded at 100%. He said the full 100% for indirect costs is included in Governor Stephens' budget for the additional 13 million dollars. Rep. Brown continued that in 1981 reimbursement levels were set at 15% and in 1987 increased to the present 50% level. He said it is important to encourage the researchers within the University System to work hard and bring back contracts to the system adding credit to the professor, additional prestige to the University System, and as a result providing more money for the entire University System. However, Rep. Brown stressed this research will not continue to happen if there is no residual purse in which to pay for expenses incurred for and during research and development.

Testifying Proponents and Who They Represent:

Carrol Krause, Commissioner of Higher Education

John Juhila, Vice-President, Montana State University

Gary Strobel, Director, MONTA (Montanans on a New Track for
(Science), Professor, Plant Pathology, Montana State
University (MSU)

Ray Murray, University of Montana (UM)

David Toppin, Vice-President, Montana Tech

Stacy Farmer, Associated Students Montana State University
(ASMSU)

Rep. Norm Wallin, District 78, Bozeman

Terry Minow, Montana Federation of Teachers (MFT)

Mike Craig, Associated Students University of Montana (ASUM)

Proponent Testimony:

Carrol Krause said HB 233 is one of the highest priorities of the Board of Regents and will generate approximately 1.1 million dollars per year. He said it is important to understand the concept of indirect costs in that if a faculty member writes a grant for \$100,000.00 usually the Federal Government or private granting agency would provide the \$100,000.00 plus what is called an overhead cost at perhaps a 25% rate. Mr. Krause continued that at the 25% rate it would mean an additional \$25,000.00 to cover the overhead of operating the grant for such things as setting up the accounting records if payrolls are involved, paying for lab equipment, or purchasing other necessary materials pertinent to the project. He closed his testimony by saying nearly 80% of grants and contract money is spent in the State of Montana totalling approximately 25 million dollars which is a tremendous enhancement and major contributor to economic development in Montana.

John Juhila, (EXHIBITS 1 and 2.).

Gary Strobel said the University System needs these dollars to grow and develop in an atmosphere of research and competition. He stated virtually every state in the union has come to realize the economic development of the state is somehow connected to what goes on in the University Systems and that university professors are hired to teach and promoted on their ability to do research. If there are no funds to do this research the professors will go elsewhere and their brainpower will be lost. He also said while Montana has been close to the bottom of the scale as far as research dollars given on a competitive basis we have effectively doubled our competitiveness within the last eight years and quadrupled the dollars coming into the

state over what it was ten years ago. Mr. Strobel also submitted (EXHIBIT 3.) into testimony.

Ray Murray, (EXHIBIT 4.).

David Toppin said Montana Tech derives between \$100,000.00 and \$200,000.00 each year in indirect cost recoveries on research contracts totalling between 2 and 3 million dollars. Mr. Toppin said the key to determining if we should be keeping 50% or 100% of these indirect costs recoveries is what is done with the dollars and the effectiveness in benefiting the citizens of the State of Montana. He said at Montana Tech indirect cost recovery dollars are used for the preservation and wise use of Montana's resources.

Stacy Farmer stated support for HB 233 and said recovery of these indirect cost dollars will result in a unique opportunity for the research and development of important technical services.

Rep. Norm Wallin voice support for HB 233.

Terry Minow stated support for the bill saying in the past the Legislature had tapped part of these indirect costs for the General Fund. She stated hope that this Legislature would resist the temptation to continue that practice.

Mike Craig said ASUM supports the ability of the University System in retaining the indirect costs associated with securing grants and research awards. He said students will benefit from partaking in these research activities with hands on experience in their academic careers.

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members: None

Closing by Sponsor: Rep. Brown thanked the committee and recommended a favorable committee report on HB 233.

DISPOSITION OF HB 233

Motion: Rep. Stang made the motion that HB 233 DO PASS.

Discussion: None

Amendments, Discussion, and Votes: None

Recommendation and Vote: Motion CARRIED upon unanimous voice vote.

HEARING ON HB 88

Presentation and Opening Statement by Sponsor:

Rep. Hal Harper, District 44, Helena said HB 88 is an act to provide for the distribution of state equalization aid to school districts in five payments and provides an effective date. Rep. Harper said he would reserve his time for the proponents to speak to the bill.

Testifying Proponents and Who They Represent:

John Campbell, Montana School Business Officials
Antoni Campeau, Legislative Intern, Board of Public Education
Jesse Long, School Administrators of Montana (SAM)
Bruce Moerer, Montana School Boards Association (MSBA)
Eric Feaver, Montana Education Association (MEA)
Terry Minow, Montana Federation of Teachers, (MFT)
Jean Hagan, Superintendent, Big Fork

Proponent Testimony:

John Campbell, (EXHIBITS 5 and 6.).

Antoni Campeau, (EXHIBIT 7.).

Jesse Long said HB 88 is a step in the right direction to frontload the distribution of state equalization payments and would be of definite benefit to the school districts. He said this is a good first step but as funding proposals are considered by this Legislature the SAM would suggest consideration of twelve equal payments with distribution made to the districts on that basis.

Bruce Moerer stated that HB 88 is a reasonable recommendation and compromise between the finances of the state and the finances of the schools. He said this is important for cash flow purposes to the school districts and needs immediate consideration. Addressing the fiscal note Mr. Moerer said even though there is financial impact on the state we must remember it is also a considerable weight taken off local schools and local taxpayers.

Eric Feaver stated support for HB 88.

DAILY ROLL CALL

EDUCATION & CULTURAL RESOURCES COMMITTEE

DATE _____

NAME	PRESENT	ABSENT	EXCUSED
Rep. Ted Schye, Chairman	✓		
Rep. Fritz Daily, Vice-Chairman	✓		
Rep. Vicki Cocchiarella	✓		
Rep. Paula Darko	✓		
Rep. Ervin Davis	✓		
Rep. Ralph Eudaily	✓		
Rep. Floyd Gervais	✓		
Rep. Bill Glaser	✓		
Rep. Dan Harrington	✓		
Rep. John Johnson	✓		
Rep. Tom Kilpatrick	✓		
Rep. Richard Nelson	✓		
Rep. John Phillips	✓		
Rep. Richard Simpkins	✓		
Rep. Wilbur Spring, Jr.	✓		
Rep. Barry "Spook" Stang	✓		
Rep. Fred Thomas			✓
Rep. Norm Wallin	✓		
Rep. Diana Wyatt	✓		
Rep. Tom Zook	✓		

STANDING COMMITTEE REPORT

January 24, 1989

Page 1 of 1

Mr. Speaker: We, the committee on Education and Cultural Resources report that HOUSE BILL 233 (first reading copy -- white) do pass .

Signed: _____
Ted Schye, Chairman

Indirect Cost (IDC) Funds

Activities Supported and Achievements in FY 1988
at Montana State University

- (1) Sources of IDC: * Total number grants - 963
* Total awards - \$14,946,631
* IDC income - 1,640,000

- (2) IDCs invested \$ 913,682 (MSU share)
259,880 (FY87 carryover)
\$1,173,562 Total

(3) <u>Investment Portfolio</u>	<u>Total investment</u>	<u>% Total</u>
a. Faculty development	\$701,531	59.8
MONTIS		
Research Creativity		
Matching/Start-up		
Department support		
b. Research Support	332,969	28.4
Facilities and program		
Computer systems		
Regulatory committees		
c. Applied Research and		
Technology development	102,164	8.7
Materials Center		
Biotechnology program		
d. Technical Assistance	36,898	3.1
University Technical Assistance		
Survey Research Center		

- (4) Return on Investment (Examples)
- a. Number of proposals submitted increased dramatically (493 to 577)
 - b. 74 or more than 15% of faculty directly benefited by IDC investment
 - c. Strengthening of infrastructure affected faculty campus-wide.
(ie., computer usage up 1600%)
 - d. Preliminary results show monetary returns of better than 5:1.
(examples)

	<u>Investment</u>	<u>Return</u>
MONTIS	\$218,094	\$1,175,421
New Hires	230,000	2,062,000
Programs - Reclamation	31,905	450,000
Materials	178,000	1,700,000

- (5) Conclusions on IDC investments
- a. Faculty development improves their ability to garner grants
 - b. Federal agencies more inclined to fund proposals with institutional match
 - c. Funding new research initiatives helps the institution keep pace with rapid changes in science (ie., molecular biology, materials) and enhances opportunities for funding.
 - d. Use of IDC to strengthen infrastructure (equipment, facilities, botanical help) improves research performance and funding makes faculty more competitive because they have the tools to compete with their national peers.

EXHIBIT #2
DATE 1-23-89
HB 233

Revised 12/20/88

A Report to the Legislative Finance Committee:
Activities Supported and Accomplishments Achieved with
Indirect Cost Funds at Montana State University

The Rationale for Uses of IDCs

Indirect costs (IDCs) are incurred by colleges and universities in the process associated with the administration of grants and contracts. These costs are reimbursed by the funding agency in recognition of the large number of institutional resources that are associated with administration and support of the research. These reimbursements are intended to support the research infrastructure including departmental administration, research facilities, research equipment maintenance and library services, but in addition the reimbursements are used to appropriately enhance research capability and encourage technology development and transfer. Indeed, lacking state sources of funds the IDC reimbursements are frequently the only available funds for these purposes. The MSU appropriated budget does not contain funds for research development nor is its public service budget adequate to support any significant level of technology transfer. The use of IDC reimbursements facilitate technology development and transfer. IDC reimbursements also serve to support economic development in the state by boosting its technical base and by fostering the commercialization of new products and processes. This report focuses on the benefits accrued to the people of Montana through

Montana State University, but it should be understood that there are additional long-term benefits to the Bozeman area, to the state and to the intermountain region.

The IDC Investment Fund -- IDC recovery for FY88 was \$1,639,682. After the state portion (\$726,471) was subtracted from the total, a sum of \$913,682 plus a carryover of \$259,880 from FY87 totaling \$1,173,562 was available for research investments for FY88. All FY87 and FY88 IDCs (\$1,173,562) have been committed and budgeted for expenditure, however actual expenditures during FY88 were \$933,572. The remaining IDCs (\$239,990) will be expended in FY89 as budgeted FY87 and FY88 projects are completed.

A summary of IDC expenditures for FY88 is found in the last page of this report. For FY88, the productivity of the research program at Montana State University was significantly increased over the previous year. Grant and contract expenditures of \$14.95 million were reported for FY88 representing an increase of \$1.9 million or 12 percent over FY87 expenditures. Total research expenditures including those of the Agriculture and Engineering Experiment Station Program exceeded \$26 million.

Continuing an aggressive approach to the future, MSU faculty and staff prepared and submitted 519 research proposals to various Federal and State agencies and private sector sources in FY88. This represented an increase of 20 submissions over that reported for FY87. Moreover, the success rate (number of proposals funded/number submitted) increased from 34 percent to 39 percent indicating a strengthening of the quality of the proposals.

developed by MSU faculty and the competitive nature of both the ideas and capability represented in those proposals.

The Investment Portfolio

For FY88, and again in FY89, IDC funds were invested into four general categories of research support and technology development. They were faculty research capability development, institutional research support services, applied research and technology development programs, and the technical assistance program.

I. Indicators of Success at Program and Individual Level for FY88

- (A) Montanans on a New Track for Science (MONTS) is a small grants program initiated with an NSF grant in 1981 and intended to increase the competitiveness of Montana University System faculty in the grant programs of Federal agencies. In FY88, \$218,094 was invested in the MONTS enterprise.

This program continues to be highly successful. MONTS grantees increased their total awards from \$441,028 in FY87 to \$1,726,449 in FY88 for a net difference of \$1,175,421. With IDC support of \$218,094, MONTS grantees successfully garnered over a million additional dollars in grant support, a five fold return in investment.

- (B) The MSU Research Creativity project consists of (1) a visiting speakers program that brings nationally and internationally recognized scientists and engineers to campus, (2) research stipends for graduate students, (3)

summer research stipends for faculty and (4) travel support.

Expenditures in each category are summarized as follows:

Speakers	\$ 28,479
Graduate Student Support	8,337
Faculty Summer Stipends	60,277
Faculty Travel Support	<u>8,356</u>
	\$ 105,449

(1) Speakers Program. The speakers program brought to the campus 97 distinguished scientists, engineers, and social scientists as well as scholars from the humanities and arts to interact with MSU faculty and students at a cost of \$28,479. The visiting scholars represented a large array of outstanding institutions and companies including Columbia University, University of Pennsylvania, Stanford University, University of Washington, Bell Laboratories, University of Wisconsin, Harvard University, Ohio State University, Universal Studios and the University of Chicago to name a few.

(2) Graduate Student Stipends. Ten graduate students received a total of \$8,337 for support of their thesis research. Nearly all of the students gave papers at regional or national meetings with this support. Much of their research will result in new project development or enhancement of existing projects.

(3) Faculty Summer Stipends. Seventeen faculty members received a total of \$60,277 for summer stipends which allowed them to initiate or continue research on a full-time basis. All of these faculty have published or have pending publications of their work. Nine of the supported faculty also prepared grants for submission as well as publishing the results of their summer work.

(4) Faculty Travel Support. Funds totaling \$8,356 were expended for travel of researchers to other laboratories, libraries, and special facilities in the U.S. Often these trips developed or supported collaborations with colleagues at other facilities, again enhancing the competitive position of Montana State University in the nation's academic research communities.

(C) Matching Funds for Equipment Acquisition and Start-Up Funds for New Faculty were invested in an effort to accelerate their research productivity. Funds for initiating research projects of new faculty are generally negotiated at the time of hire. Faculty that move to MSU often must interrupt and, in some instances, change the direction of their research. In order to make the transition easier, the University may invest IDC resources in equipment, facilities or research support. Our experience shows that providing such assistance

speeds the rate at which the new faculty member re-enters the mainstream of competitive research.

Because of the lack of basic support and the rapid development of technology, MSU research equipment has been acquired with assistance of IDC funds, by combining with other matching funds obtained from private sources, and by providing institutional matching funds for Federal agencies. These agencies often require an institutional match to insure that the grant is given the necessary university commitment to be successful. Further, some funding sources only provide equipment grants, if the institution provides technical services and maintenance. Indirect cost recovery funds often are used to satisfy these requirements.

Matching and start up funds for several outstanding hires and grant-competitive faculty were provided in FY88. In addition, the University made significant investments in major technical centers that were equipment intensive. Some notable examples of the "return" on IDC investments include:

- (1) An \$80,000 equipment and remodeling package for Dr. Tom Livinghouse, a new hire from the University of Minnesota, in Chemistry. The match also satisfied the matching requirements of three National Institutes of Health grants brought with the hire which total nearly \$500,000.

- (2) A \$70,000 (\$30,000 in FY88) equipment match for an NSF grant of \$1.2 million to develop a Molecular Beam Epitaxy facility in Physics.
- (3) Numerous smaller investments, in the past, have been provided for several new hires and have served to rapidly move these faculty into grant competition. All new hires in FY89 have submitted grant proposals to one or more agencies.
- (D) In an effort to stimulate research in programs where grant and other research resources are difficult to acquire, "block" grants totaling \$90,000 were awarded to colleges on the basis of proposals describing the expected achievements of faculty that would receive support for development and research.

Block grants were awarded to five colleges to stimulate research in faculty groups often deprived of grant development funds and not particularly skilled in seeking support. These funds were used to provide summer salaries, computer software and equipment, travel to libraries and various research materials. A total of 39 faculty received awards and achieved the following during FY88.

<u>Achievement</u>	<u>Number</u>
Completed book	2
Published article	16
Prepared grant	4
Prepared book chapter	3
Feature length film	1
Presentations	6

* Report of four colleges with a total of 29 faculty participating.

- (E) Indirect cost funds totaling \$177,988 were returned to research-active departments in support of secretarial and technical assistance, supplies, equipment and general operating funds. The allocations were based on the overall departmental research effort as a percentage of the total institutional contract and grant activity.

The return on this investment is difficult to measure but its impact on faculty morale and research productivity undoubtedly is significant. Because funds for operation in all departments at MSU are, relatively speaking very low, these support funds become precious and are critical to the research efforts of the faculty.

Uses of the funds have been reported in the following way:

<u>Personnel</u>	<u>Supplies</u>	<u>Travel</u>	<u>Equipment</u>
<u>Maintenance</u>			
\$62,955	\$14,421	\$13,696	\$64,615
			\$2,066
Total Expenditures =		\$157,753	
Commitments (Unexpended)		<u>20,235</u>	
		\$177,988	
		=====	

Personnel includes technicians, secretaries, graduate and undergraduate students, faculty salary and labor.

Equipment: The major items are computers and accessories.

II. Institutional Research Support

A. Facilities and Programs. Institutional programs are designed to support a broad segment of campus research activities; the research infrastructure. Included in this function is support for facilities management, equipment acquisition and maintenance, technical personnel, institutional review boards (e.g., chemical/radiation safety, animal care, biosafety, etc.), and such auxiliary research units as the Animal Resource Center, the 49th Parallel Institute, the Water Center and the Reclamation Research Unit.

1. Animal Resource Center. Personnel costs of \$45,000 are provided by the MSU basic budget through the Vice President for Research. The IDC funds are used in addition for maintenance and to provide animal care for unfunded faculty. A state-of-the-art facility, the Center provides high quality care for several thousand mice, rats, guinea pigs, chickens, rabbits and a variety of wild rodent species. This is an indispensable research resource for biomedical and agricultural research.
2. 49th Parallel Institute. For FY88, the Institute received \$13,000 of IDC funding which contributed to grant and contract activity of \$153,509. For FY89, expenditures from some nine grants are

expected to increase to \$185,000. The Institute focuses on U.S. Canadian policy issues related to water, agriculture and trade, and provides state government with important consultative services.

3. Water Center. Charged with coordinating water research in the University System, the Center conducts water research in Montana under a \$100,000 United State Geological Survey (U.S.G.S.) grant together with \$23,759 of IDC return. Additional funds are acquired from State and other Federal sources as part of a required 1:1.5 match for continued funding from U.S.G.S.
4. Reclamation Research Unit. A \$31,905 IDC investment in support of Reclamation Research brings nearly \$500,000 in grants and contracts annually to MSU. One of the few Universities given Superfund work, the Unit engages in research in collaboration with the private sector on Montana Superfund sites including East Helena and Silverbow Creek.
5. Technical Support Personnel. IDC funds are invested in project personnel who provide technical services including technicians, secretarial assistance and student labor to specific projects or equipment installation. During 1988 some three technical and professional FTEs, representing \$71,038 in expenditures, contributed to the support of 10

individuals that provide technical assistance for the operation of major equipment, electronic and mechanical shops and computers.

6. Miscellaneous Expenditure. Miscellaneous expenditures of \$1,267 were made in the Biomedical area.

- B. Computer Acquisition. The modernization of our computer resources, indispensable to the research community, is a new IDC funding item for FY88. An investment of \$122,000 in FY88 has contributed to the acquisition and maintenance of our recently installed Digital Equipment Corporation (DEC) computer system, broadband network, the BITnet network and the National Science Foundation (NSF) supercomputer network.
- C. Regulatory Committees. There are four committees charged with the responsibility of monitoring rules and regulations required by state and Federal law. These four committees are designated as Institutional Review Boards (IRB) and they received \$25,000 in support during FY88. If committee duties become time-consuming, some salary funds are provided. The IRBs are responsible for reviewing all laws, developing institutional policies to comply with Federal rules and regulations, and managing their respective responsibilities on a day-to-day basis.

III. Applied Research and Technology Development

Investments of Indirect Cost recoveries are made in certain Research Centers and allied programs whose research contributes to product development and technical assistance through cooperative efforts with industry. For FY88, MSU initiated two major programs; one in Materials Research and the other in Biotechnology.

A. Materials Center. In 1987, Montana State University established a Center of Excellence to promote research and technology development with respect to new materials. IDC expenditures in the amount of \$102,164 in FY88 and \$200,000 anticipated in FY89 support the salaries of the Director (0.5 FTE), secretary (1.0 FTE) and one new faculty hire in 1988 and two new hires in FY89. The research will focus on the development of new electrically and super conductive materials, semi-conductors, polymers and biological materials. Recently, the Montana Science and Technology Alliance designated the Materials Program as a state-wide Center of Excellence and funded the Program at \$200,000 for FY89. Grant and contract expenditures in the Center currently exceed \$500,000 annually.

B. Biotechnology Program. IDC funds are scheduled for the development of a broad-based multidisciplinary program in biotechnology. Research emphases are in agriculture biotechnology and environmental biotechnology. The

foundation of good biotechnology programs, i.e., molecular biology, is being emphasized.

Currently, the institution is searching for a head for the new Department of Molecular Biology and has hired several outstanding faculty in agriculture, biology and chemistry who will form a core group in our agriculture biotechnology program. MSU expects substantial returns from grants, product development, cooperative efforts with industry and royalties on products licensed by MSU. MSU ranked high nationally (sixth among research universities in 1985) in terms of the number of biotechnology patents granted and this level of productivity will accelerate as our research effort expands.

The second biotechnology area focuses on our internationally recognized research effort in the Institute for Process Analysis. The research couples environmental engineering with biological systems and has received annual funding of \$500-\$600,000, largely from Federal grants. Eleven companies, acting as industrial associates, contribute \$10,000 annually to support technology development and commercialization of Institute research.

IV. Technical Assistance Programs.

These programs offer technical and business assistance to the campus community, private companies and

government.

- A. The University Technical Assistance Program (UTAP) is a highly visible program offering technical business and engineering assistance to Montana manufacturers. Funded at \$100,000 annually by the Federal Economic Development Agency, MSU provides a match of \$8,902 from its Indirect Cost recoveries.
- B. The Survey Research Center is designed to provide experienced, efficient and specialized service relating to postal and telephone surveys, data analyses, data management, proposal development and report writing. It was allocated \$27,996 to purchase telephone interviewing stations, a Zenith 386 microprocessor and staff salaries. In FY88, the Center participated in 15 different research projects including the Farm Survey, surveys on gaming and crime victims in Montana, and design of a computerized educational model of Montana's tax system.

The Center is also involved in three large proposals seeking non-state funding totaling \$1.7 million.

V. Summary: In general, IDCs are used for:

- A. Encouraging young faculty members to engage in research and encouraging research in departments and disciplines that have not traditionally sought research or that are not the object of significant

non-university support.

- B. Providing infrastructure support at the institutional and departmental level by enhancing departmental resources, by providing matching money for major new equipment acquisition by supporting services and facilities, such as equipment maintenance, libraries, state and Federally mandated instructional review boards and annual care.
- C. Support of major new research initiatives such as material science and molecular biology in agriculture and process analysis.
- D. Direct support of interdisciplinary research with that are established but require evidence of institutional commitment in order to sustain funding from outside agencies.

The "pay off" has been respectable; it is estimated that for every dollar of indirect cost that is recovered and invested in the University there is a five-dollar return. That's like betting a "long-shot" in every race.

ldc.wjt

MONTANA STATE UNIVERSITY
INDIRECT COST INVESTMENT
FISCAL YEAR 1988

	FY88 EXPENDITURES -----	FY88 COMMITTM TO FY89 -----
MONTGOMERY	\$203,294.00	\$14,800.00
RESEARCH CREATIVITY	105,449.00	0.00
MATCHING FUNDS EQUIPMENT ACQUISITIONS AND NEW FACULTY START-UP	12,855.00	97,145.00
BLOCK GRANT PROGRAMS *Carryover mainly being used during summer of 1988	21,486.00	68,514.00
DEPARTMENTAL INVESTMENTS	157,753.00 <i>500,837</i>	20,235.00 <i>701,5</i>
INSTITUTIONAL RESEARCH SUPPORT PROGRAMS	179,829.00	6,140.00
COMPUTER ACQUISITIONS, EQUIPMENT MAINTENANCE AND SERVICES \$100,000 MSU \$22,000 Bitnet	100,000.00	22,000.00
REGULATORY COMMITTEES	17,548.00	7,452.00 <i>32,925</i>
MATERIALS SCIENCE CENTER	102,164.00 <i>297,377</i>	0.00
TECHNICAL ASSISTANCE PROGRAMS:		
UTAP	5,198.00	3,704.00
Survey Research Center	27,996.00 <i>33,144</i>	0.00 <i>36,898</i>
TOTALS	\$933,572.00	\$239,990.00

\$1,173,562 ✓

VIS
 JND 7
 86/87
 NAME
 LARGE
 ERGLUND
 DIK
 HOI
 EIBERT
 ENT
 SUI LUZ
 ZERSMAN
 ORD
 RANATH **
 DOD
 JTTO **
 ACOUNTE ***
 AFRANCE
 AGESON
 ARSEN*
 YNCH
 CLAUGHLIN ***
 OGK
 CORE **
 ULLEN
 UNDY
 HILLIPS
 EARS **
 HERIFF **
 MITH, B
 SURUTA
 OGEL
 ** Total ***

	Professional Before MONTS	Proposals Submitted Before MONTS	\$ Amount Requested Before MONTS	Grants Acquired Before MONTS	\$ Awarded (government, other/private)	\$ Awarded (other/private)
LARGE	1	5	254570	2	1800	2000
ERGLUND	2	0	0	0	0	0
DIK	1	0	0	0	0	0
HOI	0	3	145695	0	0	0
EIBERT	20	3	225828	0	0	0
ENT	8	1	35135	1	35135	0
SUI LUZ	9	2	2014800	1	14800	0
ZERSMAN	4	9	98933	9	98933	0
ORD	4	3	85000	2	0	60000
RANATH **	1	0	0	0	0	0
DOD	2	0	0	0	0	0
JTTO **	9	5	59500	5	20000	39500
ACOUNTE ***	4	4	33259	2	5000	0
AFRANCE	4	4	250080	2	125000	17800
AGESON	5	11	74695	11	69695	5000
ARSEN*	0	0	0	0	0	0
YNCH	4	1	46226	0	0	0
CLAUGHLIN ***	1	0	0	0	0	0
OGK	2	0	0	0	0	0
CORE **	7	7	407000	4	346000	0
ULLEN	23	2	6000	2	6000	0
UNDY	17	13	1025000	2	50000	0
HILLIPS	11	4	166758	0	0	0
EARS **	8	0	0	0	0	0
HERIFF **	1	1	70968	0	0	0
MITH, B	3	1	2500	1	2500	0
SURUTA	22	1	59400	1	59400	0
OGEL	3	1	50990	0	0	0
** Total ***	176	81	5112337	45	834263	124300
					\$958,563 Total	

71% Applied for \$ BEFORE (50% Acquired \$)

\$152,152 Acquired/Year (6.3 av yrs BEFORE)

EMC Faculty
 UM Faculty
 Started project late; info not available yet

11/87

VIS
 JND 7
 86/87
 NAME
 LARGE
 ERGLUND
 DIK
 HOI
 EIBERT
 ENT
 SUI LUZ
 ZERSMAN
 ORD
 RANATH **
 DOD
 JTTO **
 ACOUNTE ***
 AFRANCE
 AGESON
 ARSEN*
 YNCH
 CLAUGHLIN ***
 OGK
 CORE **
 ULLEN
 UNDY
 HILLIPS
 EARS **
 HERIFF **
 MITH, B
 SURUTA
 OGEL
 ** Total ***

	Proposals Submitted Since MONTS	\$ Amount Requested Since MONTS	Grants Acquired Since MONTS	\$ Awarded (government, other/private)	\$ Awarded (other/private)
LARGE	1	62203	0	0	0
ERGLUND	2	294413	0	0	0
DIK	3	149971	1	20000	0
HOI	1	108348	0	0	0
EIBERT	1	69529	0	0	0
ENT	1	98582	0	0	0
SUI LUZ	2	2638021	1	136870	0
ZERSMAN	1	49397	0	0	0
ORD	13	7395231	2	1761231	0
RANATH **	3	395181	2	172200	2000
DOD	9	9401222	3	2166231	15000
JTTO **	1	173511	0	0	0
ACOUNTE ***	1	11314	0	0	0
AFRANCE	2	50186	1	0	12500
AGESON	4	5000	4	0	5000
ARSEN*	0	0	0	0	0
YNCH	12	767409	2	0	41000
CLAUGHLIN ***	1	13609	1	13609	0
OGK	4	225058	1	15000	0
CORE **	11	792149	6	451092	0
ULLEN	1	152000	0	0	0
UNDY	15	1756814	6	467700	127000
HILLIPS	1	151000	1	151000	0
EARS **	0	0	0	0	0
HERIFF **	3	133791	3	133791	0
MITH, B	8	175632	4	0	19750
SURUTA	1	19480	0	0	0
OGEL	4	232276	3	42075	0
** Total ***	106	25321327	41	5530799	222250
				\$5,753,049 Total	

92% Applied for \$ Since (57% Acquired \$)

\$2,397,103 Acquired/Year (2.4 av yrs SINCE)

EXHIBIT #3
 DATE 1-23-89
 HB 233

UNIVERSITY OF MONTANA

A report to the Legislative Finance Committee on activities supported and accomplishments achieved through the use of indirect cost reimbursements returned to the University as authorized in HB 0002/05:

The 1987 Montana Legislature authorized the units of the Montana University System to retain approximately 50 percent of the indirect cost reimbursements received on grants and contracts. In testimony before legislative committees and in comments made by various legislators during those hearings, prior to the adoption by the Legislature of this concept, there was a common theme. That theme was that these monies should be treated by the units as an investment in Montana's future. The investments should lead to increased grant and contract money brought to the state by the University System and every effort should be made to use the resources of the University System to support economic development in Montana.

The University of Montana has taken that charge very seriously, believing that the investment of the returned indirect cost reimbursements to the units in bringing additional money to the state and enhancing economic development are in the best interest of the state, the University System and the University of Montana. The President of the University of Montana has charged the Associate Vice President for Research and Dean of the Graduate School with the responsibility for allocating these funds. The following is a report on the activities supported and the accomplishments achieved with the indirect cost reimbursement funds retained by the University of Montana under the authority of the Legislature.

THE UNIVERSITY OF MONTANA HAS ALLOCATED ITS RETURNED INDIRECT COST REIMBURSEMENTS TO BENEFIT ECONOMIC DEVELOPMENT IN THE FOLLOWING WAYS:

I Biotechnology, 17 percent: The University of Montana has identified the field of biotechnology as an area where we can make a substantial contribution to Montana economic development. We have developed partnership relations with the Montana biotechnology companies. For example:

1. We have an arrangement with Ribi ImmunoChem that will support students, provide for their employees to supply specialized instruction to our students, and to share equipment.
2. We have entered into a number of arrangements with ChromatoChem for shared costs on studies

that benefit both the University and the company.

3. We have agreements with Skyland Scientific that are leading to the development of high-potential new products that benefits both the University and that company.
4. Most important, we have been successful in being designated the lead institution in biotechnology in cooperation with Montana State University by the Montana Science & Technology Alliance. This has resulted in an initial allocation from the Alliance of \$200,000, and holds the potential for allowing this university to contribute in a significant way to the growth of the biotechnology industry in the state.

II Business Assistance, 17 percent: Critical to economic development is the ability of the University to provide new companies with services to compete effectively in the marketplace. In cooperation with Montana State University and Eastern Montana College, we have been designated the lead institution by the Montana Science & Technology Alliance in this area. This has provided us with \$100,000 in planning funds to develop this program which builds, in part, on our Small Business Institute (which served 100 Montana companies last year) and our Bureau of Business and Economic Research (which provides information on the Montana economy to both the private and government sectors in Montana). In addition, we have provided cost-sharing funds that will make possible a book on how to do business in Montana, supported by the Montana Science & Technology Alliance.

Seeking outside funding through grants and contracts presents numerous challenges and opportunities. The common issues are:

- I The need to provide "seed" funds in order to allow faculty to develop preliminary data that will allow them to become competitive in the national arena for outside funding: Proposals for outside funding become very competitive when some preliminary work has been done and the sponsor sees clearly the potential for substantial additional funding.
- II The requirement of cost sharing: Most grant and contract programs require the recipient to cost share, with their own funds, part of the costs of grant and contract activity. It is not uncommon for a sponsor to require the recipient to pay 10 to 50 percent of the cost of new

equipment. This places a burden on the recipient, but also creates an opportunity because the equipment can be purchased at only a fraction of the cost in state funds.

- III The element of costs of proposal development: There are substantial costs involved in developing large-scale proposals for outside funding.
- IV The necessity of maintaining equipment purchased on grant and contract money: This is a substantial item involving actual expenditures on maintenance and the cost of maintenance contracts.
- V The need to provide new faculty with start-up costs: When a new faculty member is hired, it is commonly necessary to supply equipment so that the faculty member can become immediately productive and begin an effective, competitive search for outside funding. Failure to provide start-up costs normally means hiring faculty of lesser quality and then taking a risk that the individual will succeed in becoming competitive for substantial outside funding.

By meeting these issues head on, the University of Montana increased its grant and contract activity by almost \$500,000 in Fiscal Year 1988 over Fiscal Year 1987. We achieved an all-time high of approximately \$7 million and look forward to a substantial increase again in Fiscal Year 1989. In addition, approximately 35 percent of our faculty have received outside support in grants and contracts. This figure has been increased from approximately 22 percent a few years ago. These successes place the University of Montana in at least the upper 5 percent of institutions of our character throughout the country. Institutions of our character means those without medical, dental or engineering schools--areas that have traditionally been very successful in obtaining outside funding.

THE UNIVERSITY OF MONTANA HAS ALLOCATED ITS RETURNED INDIRECT COST REIMBURSEMENTS TO OBTAIN ADDITIONAL OUTSIDE FUNDING IN THE FOLLOWING WAYS:

- I Sponsored Program Administration Budget Allocation (SPABA), 33 percent: Almost all institutions return indirect cost money to the units or departments within the university. We have initiated such a program, recognizing it has two effects:
 - 1. It provides the funds for stimulating increased grant and contract activity;
 - 2. It provides an incentive for seeking additional grant and contract money.

We have insured that each expenditure from these accounts would be made for the following purposes: "Maintain equipment, purchase equipment, encourage research and creative activities and cost share on grants and contracts, provide start-up costs for newly hired faculty members and supply grant preparation costs." In addition to our overall success in increasing grant and contract activity, there are many specific, individual examples of where investment of these funds has led directly to success:

- a. Investment of approximately \$800 in proposal development has resulted in a \$100,000 grant for a study by the Law School of establishment of an Inter-Tribal Appellate Court System.
- b. An investment of approximately \$3,000 made a substantial contribution to the success of a relatively new faculty member in Microbiology in receiving 5-year support in the amount of \$238,000 for a career development grant.

II Cost sharing and new faculty start-up costs, 21 percent: During the past year, the University has been able to meet the cost sharing required by sponsors on all grants and contracts designated as high-priority. In addition, we have had a spectacular year in recruiting new faculty. We hired three new chemists and were successful in obtaining our first choice in each case. Very few universities achieve this level of success.

Investment in cost sharing resulted in many benefits. Specific examples include:

1. The University of Montana obtained a state-of-the-art research vessel for our Biological Station at Yellow Bay. The boat cost \$110,000 and required an \$8,000 cost sharing in order to obtain the funding.
2. Approximately \$500,000 in grant money, including substantial computer-related equipment, was obtained from NASA for studies in the School of Forestry that have brought national attention to the University because of the ability to predict impact on forests through global climate changes. Cost sharing requirements to date have been \$10,000.
3. Approximately \$100,000 in grant money has been received by the Department of Geology for a series of studies that provided needed research equipment.

This equipment will also be used in several areas of specialized instruction. Cost sharing requirements have been met by expending approximately \$15,000.

4. \$99,600 has been received for studies of the effect of catalysts on carbon gasification. The required cost sharing was \$9,370.

We have invested approximately \$100,000 in new faculty start-up costs during the past year. The availability of these funds has allowed us to recruit outstanding faculty and to assist them in becoming competitive immediately. Two of our newly hired faculty will bring with them over \$600,000 in new grant money. All of the others are currently preparing proposals for outside funding. We currently are prepared to meet \$43,000 in required start-up equipment funds on an offer to a biochemist. If we are successful, that individual will bring approximately \$1 million in grant money to the University. The ability to hire competitive scholars enhances not only our search for outside funding, but provides our students with truly outstanding faculty who are at the cutting edge of their professions. In addition, these faculty, particularly in biotechnology, forestry and business, will make important contributions to Montana's economic development.

- III Seed money, 12 percent: We encourage faculty to compete internally for funding to develop necessary data and ideas in order to compete nationally for outside funding. This is one of the most successful ways in making people competitive in the national arena. Traditionally, we have seen an immediate return of approximately seven times the initial investment in grant and contract money received within 18 months of the initial funding.

In summary, the University of Montana feels that it has been a good steward of the returned indirect cost reimbursement funds. We have met the challenge of increasing our grant and contract activity, laying the groundwork for even greater increases in the future, and establishing the organizations for making substantial direct contributions to economic development in Montana. We hope that the 1989 Montana Legislature will see the value of these investments and will allow us to retain 100 percent of the indirect cost reimbursements, thus permitting us to compete on an equal footing with our neighbors in Idaho, North Dakota and South Dakota.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By Chairman Francis Bardanouve, on March 2, 1989,
at 8:00 a.m.

ROLL CALL

Members Present: All but Representative Spaeth

Members Excused: Representative Spaeth

Members Absent: None

Staff Present: Judy Rippingale, LFA

Announcements/Discussion: None

HEARING ON HOUSE BILL 294

"AN ACT APPROPRIATING MONEY FROM THE GENERAL FUND TO THE
UNIVERSITY OF MONTANA TO ENABLE THE SCHOOL OF PHARMACY TO MEET
ACCREDITATION STANDARDS; AND PROVIDING AN IMMEDIATE EFFECTIVE
DATE."

Presentation and Opening Statement by Sponsor:

Representative Budd Gould, House District 61, Missoula stated his perspective is really the people issue that is related to this Bill. The Pharmacy School in Missoula has approximately 75% of those students who graduate from that school and stay in the state of Montana. If pharmacy students are not able to attend school in Missoula probably will be attending school at Eugene. It is about the closest major pharmacy school to the state of Montana, especially western Montana. If these students attend the University of Oregon at Eugene they, at graduation time, are going to be wooed by a large number of out of state pharmacy corporations offering a considerably higher salaries than are paid by the average Montana pharmacy, especially in small town, Montana. There is a definite benefit ratio to the people who live in this state and pay the pharmacy bills and it is most gratifying to be able to have a program such as physical therapy etc. where these people are able to get jobs in the state of Montana.

Testifying Proponents and Who They Represent:

Sheila Stearns, Vice President, University of Montana

Dave Forbes, Dean of School of Pharmacy

different departments to request this rather than go through the education budget. Rep. Gould stated this is a proper avenue, after asking the students to pay the extra tuition, because this is not a normal type of situation. Rep. Cody asked Rep. Gould if he did not think it was the responsibility and obligation of the Regents to make sure these students who have enrolled in that school get their accreditation without this particular type of legislation. Rep. Gould answered that Commissioner Krause had used the words "hope" and "maybe" many times during his testimony. These words may not be enough for accreditation to take place.

Representative Kadas stated that the faculty salaries should be raised, support needed to be raised and the thing he hasn't heard in the questions was the question of critical MAS, (minimum number of faculty). Mr. Likewise stated this was a minimum number of twenty faculty to cover the courses and the other material to be presented. Rep. Kadas asked if there is not enough movement in these areas, where are they? Mr. Krause stated there are no other schools in the country on published probation except them. He did not know what would happen next.

Representative Grinde asked Rep. Gould if this draft was done in early December why wasn't it done in a modified form instead of a Bill draft? Rep. Gould believes there was a modified.

Closing by Sponsor:

Representative Gould stated he feels this Bill is very important and cited the student's testimony.

HEARING ON HOUSE BILL 233

"AN ACT ALLOCATING REIMBURSEMENTS FOR INDIRECT COSTS OF UNIVERSITY GRANTS AND CONTRACTS TO THE UNIVERSITY SYSTEM; AND PROVIDING AN EFFECTIVE DATE."

Presentation and Opening Statement by Sponsor:

Representative Dave Brown, House District 72, Butte-Silver Bow stated the costs are reimbursed by a funding agency in recognition of a large number of institutional resources that are used to support research facilities, research equipment maintenance, library services etc. In addition these reimbursements are used to appropriately enhance research capability and encourage technology development. This Bill is a portion of the Governor's package of \$13 million dollars in additional funds.

Testifying Proponents and Who They Represent:

Carrol Krause, Commissioner of Education

John Juedalo, Vice President for Research at Montana State

Ray Murray, University of Montana

David Toppen, Vice President for Academic Affairs and Research at Montana Tech in Butte

Wayne Phillips, Governor Steven's Legislative Liaison

Stacey Farmer, representing the Associated Students of Montana State University and the Associated Students of the University of Montana

Beth O'Halloran, Representative of Montana Federation of Teachers

Proponent Testimony:

Mr. Krause stated the indirect cost Bill has been a very high priority with the Board of Regents for a number of years. On behalf of the Board he encourages the committee to adopt the Bill. In order to stretch the resources as far as possible, there is in the Subcommittee proposal to the Committee, the indirect cost would stay at 50% the first year of the biennium and would move to 100% the second year. He thinks the Bill is absolutely essential but understands that they might have to have some minor modification to the Bill to accommodate the Subcommittee action.

Mr. Juedalo stated indirect costs were invested at Montana State as they are in other units to support two kinds of activity, 1) to enhance their ability to conduct research and thereby making them more competitive at the national level and 2) indirect costs are used to enhance their ability to participate in economic development in the state. With regard to the former, the various units of measure can be identified, one of which is the increase in the grants and contracts activity. This is new money brought to the state. At Montana State that amounted to \$15 million dollars in FY 1988. Sixty percent of that \$15 million dollars provides salaries and wages for people in the Gallatin Valley. They expect that as a result of investments of indirect costs the 50% the committee allowed last time to be retained by the institutions to increase their ability to compete for those federal funds and private sector funds. They rank in the top 4% of the 3,000 universities and colleges in the United States based on research expenditures. The second category falls under the category of economic development or technology transfer.

Mr. Murray stated that two years ago the committee challenged them to use these monies at 50% to boost economic development and to bring additional grant money into the state. At the University of Montana they have put approximately 17% of that money into economic development in

The balancing of funding inside the university systems always cause discussions. What this legislation should do is enhance the capability of the academic community to provide higher level of education and some working activity in their field areas.

Representative Bardanoue closed the Hearing on House Bill 233 and referred it to Education Subcommittee.

HEARING ON HOUSE BILL 335

"AN ACT REQUIRING THE WAIVER OF UNIVERSITY TUITION AND FEES FOR AN HONORABLY DISCHARGED WAR VETERAN WHO IS A MONTANA RESIDENT; AND AMENDING SECTION 10-2-311, MCA."

Presentation and Opening Statement by Sponsor:

Representative Harriet Hayne, House District #10, stated House Bill 335 basically changes one concept of the present statute. This Bill would allow present Montana war veteran residents who did not enter the service from this state to qualify for the same privileges in regard to incidental and registration fees that veterans who entered the service from Montana now enjoy. It would allow war time veterans who live in Montana and pay taxes in support of the state and in support of the University system too, in effect, become Montana veterans. This Bill also allows the University system reduced cost and greater legal protection. She covered two points of concern that were raised. 1) This legislation would affect only older veterans who's GI Bill eligibility has now expired and 2) they do not believe that this Bill would attract people into our state from other states to take advantage of this fee waiver because at present 45 other states have some similar type of legislation, including the adjoining states.

Testifying Proponents and Who They Represent:

Hal Manson, representing the American Legion of Montana

George Poston, representing the United Veterans' Committee of Montana

John DenHerder, Legislative Director, Dept. of Montana Disabled American Veterans

LeRoy Schramm, Chief Legal Counsel with the University System

Mike Craig, Associated Students of the University of Montana

Rich Brown, Montana Board of Veterans' Affairs

Proponent Testimony:

Mr. Manson said they consider this to be very good legislation

bio-technology. Two products have come out of that they hope will be manufactured in Montana and will create jobs in Montana.

Mr. Toppen stated they have done the same kinds of things as his colleagues who have testified before him. He mentioned economic development for existing economic activity as well as attracting new business.

Mr. Phillips stated this Bill reflects a part of the Governor's effort to enhance the university system in Montana.

Ms. Farmer asked the committee to support the Bill and increase the efforts for grants and contract processes and perform additional research that the Universities can do to support themselves.

Ms. O'Halloran would like to go on record in support of this Bill and urged the Committee's support also.

Tape 1, Side 2, (228)

Testifying Opponents and Who They Represent:

None

Opponent Testimony:

None

Questions From Committee Members:

Representative Peck asked Mr. Phillips about the Governor's statement on indirect costs and if there was a proviso that after four weeks it would go back into research.

Representative Bardanouve stated he has heard comments from the campus at MSU that the mission at MSU is more oriented toward research and doing things in the business world than it is toward the academic side. Mr. Krause stated there are a couple of retired faculty that have expressed that concern to him. The University is trying to balance the academic as well as the research because they must get involved in economic development, however, he stated unequivocally the priority of the Board of Regents for higher education in the state of Montana is undergraduate education. Rep. Bardanouve commented that the mission at MSU should be education, especially Montana kids. Mr. Krause stated most of the research projects are focusing on small business development and not focusing on attracting the major corporations.

Closing by Sponsor:

Representative Brown thinks the comments that were heard are typical of those that are heard on any campus in the nation.

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON EDUCATION

Call to Order: By Chairman Peck, on March 8, 1989, at 7:00 a.m.

ROLL CALL

Members Present: All with exception of:

Members Excused: Sen. Hammond, Sen. Boylan and Sen. Jacobson

Members Absent: None

Staff Present: Keith Wolcott, Senior Fiscal Analyst
Sandy Whitney, Associate Fiscal Analyst
Joe Williams, Budget Analyst, OBPP
Claudia Johnson, Committee Secretary

Announcements/Discussion: Mr. Joe Williams, OBPP made an announcement from Governor Stephen's office, stating that due to the SubCommittee's action the general fund ends up with a total of \$212,305,808 that is allocated to the post secondary educational system. Governor Schwinden's total general fund budget was \$196,301,564 which is to be the base number from which the \$13 million is added from Governor Stephen's budget. Bringing the allowable general fund to \$209,301,564 and with the SubCommittee action the budget is over Governor Stephen's allowable general fund by \$3,004,244. Mr. Williams stated there was an error in the Schwinden budget of \$787,303 that had to be taken out of the budget. Mr. Williams stated that the supplementals of \$1.1 million dollars that had been discussed in the Subcommittee on Monday, March 6, 1989 are being pulled out of the base because they were not approved in Governor Schwinden's budget, they were being held for consideration by this legislature and Governor Stephens wants to go strictly by what Governor Schwinden proposed and the additional \$13 million. Mr. Williams stated that leaves the general fund with a total of \$1,076,854 that has to be found from some other source. See Exhibit 1.

HEARING ON VO-TECH CENTERS BONDING PAYMENTS

Rep. Kadas asked Mr. Williams what the executive office position is on the funding of the Vo-Tech bonding costs? Mr. Williams stated the executive office feels the same way the Subcommittee does, if the state is to continue to make bond payments the state should have every right to take over ownership of those buildings upon completion of payments. Rep. Kadas asked Mr. Williams if the Vo-Tech bonding costs

Krause stated if they had been able to make more progress on the Student/Faculty ratio then it would have picked up that problem and hoped that as progress is made with the new formula that it would correct itself. Mr. Krause felt that they did not error in calculating the number of FTE that U of M should receive based upon the process that they are using based on the credit hours they are now using for enrollment purposes.

HEARING ON HOUSE BILL 233

Tape 1/1:298

Presentation and Opening Statement by Sponsor:

Rep. Brown, House District 72, opened stating this bill is an act allocating reimbursements for indirect costs of University grants and contracts to the University System and provides an effective date. Rep. Brown stated that the Subcommittee should be well aware of the indirect costs on the 5/1 return to the system from the last biennium because of the expansion of the indirect costs to the 50 percent level. Rep. Brown encouraged the Subcommittee to deal not only with the budget but with Legislation. Rep. Brown stated if this bill was in the statute they would not have to come back again year after year.

Questions From the Subcommittee Members: Rep. Kadas stated in terms of making the bill work with the way the Regents have set their budget, he felt they should make the effective date the beginning of fiscal year 1990.

DISPOSITION OF HOUSE BILL 233

Tape No. 1\1:348

(348)

Motion: Rep. Kadas moved to adopt the amendment for HB 233 on line 22 to change the effective date from 1989 to 1990.

Discussion: None

Amendments, Discussion, and Votes: Sen. Nathe called the question. The motion CARRIED unanimously to DO PASS.

Recommendation and Vote: Rep. Marks moved to adopt HB 233 as amended to the full Committee of Appropriations. Sen. Nathe called the question. The motion CARRIED unanimously to DO PASS AS AMENDED.

HEARING ON HOUSE BILL 277

Tape No. 1:\1:395

Presentation and Opening Statement:

Rep. Raney, House District 82, opened stating this bill is an act appropriating money for the support and production of

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON HOUSE APPROPRIATIONS

Call to Order: By Chairman Bardanoue, on March 16, 1989, at
8:08 a.m.

ROLL CALL

Members Present: 19

Members Excused: Representative Spaeth

Members Absent: None

Staff Present: Pam Joehler and Dr. Peter Blouke, LFA

Announcements/Discussion: Tape 1, Side A, 00

Representative Thoft said yesterday when the committee acted on House Bill 173 which is a very important bill for his area, a Senator had come in and taken him out to discuss another issue and he missed the vote. He said he understood there was a motion to table, and he requested he be recorded as voting no on the motion to table, and yes on the motion for a do pass.

Chairman Bardanoue asked if there was any objection from the committee, since it did not change the outcome of the vote. There was no objection from the committee and Chairman Bardanoue requested Rep. Thoft's votes be recorded.

HEARING ON HOUSE BILL 200

"AN ACT CREATING THE MONTANA CHILD CARE ACT TO PROVIDE FOR A STATE PROGRAM FOR THE IMPROVEMENT OF CHILD CARE; PROVIDING FOR ~~LOW INCOME DAY CARE SUPPORT PROGRAMS AND TRANSITIONAL CHILD-CARE PROGRAMS ASSISTANCE~~; CREATING A CHILD-CARE ADVISORY COUNCIL; PROVIDING AN APPROPRIATION; AMENDING SECTIONS 52-1-103, 53-4-501, 53-4-502, 53-4-507, 53-4-511, AND 53-4-515, MCA; ~~REPEALING SECTIONS 39-7-601 THROUGH 39-7-606, MCA~~; AND PROVIDING EFFECTIVE DATES."

Presentation and Opening Statement by Sponsor:

Representative Vincent, House District 80, Bozeman said this bill has been heard in Human Services Committee and passed, and passed on the House floor, so he did not want to take up too much time. He said this is the extensive work over the past 2 years of grass roots groups concerned about the quality of child care of day care in Montana. He said there is some controversy in regard to the bill, but today all child care in Montana is provided by private providers. He

HOUSE COMMITTEE ON APPROPRIATIONS

March 16, 1989

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eligibility to pregnant women and infants whose family income does not exceed the federal poverty threshold, and the second is to allow ambulatory prenatal care for pregnant women during the presumptive eligibility period. Rep. Bardanouve asked if they can get medicaid dollars without an appropriation and she said no. She said a fiscal note was requested from their department and has been sent to the governor's office, and she did not believe it has been received yet.

Representative Swift said he noticed they were setting up another advisory council, and with the discussion held, he asked if we didn't already have, in the Department of Health or Family Services a counterpart to this? Dr. Espelin said not to his knowledge.

Representative Quilici said it has an appropriation in the measure of \$107,837 and this is from the general fund (233) for the purpose of administering the program, but you will still need an appropriation to make the program work.

Tape 4, A. 000.

Closing by Sponsor: Representative Wyatt read a letter from Patricia Hennessey and asked that she be listed as a proponent for the bill.

Chairman Bardanouve declared the hearing on House Bill 773 closed, and the committee would take executive action on some bills.

DISPOSITION OF 56

Motion: Motion by Representative Menahan that House Bill 56 do pass.

Discussion: Representative Menahan said it had been amended to \$35,000 before we received the bill.

Amendments, Discussion, and Votes: None

Recommendation and Vote: Voted, passed, Representative Grinde voted no.

DISPOSITION OF HOUSE BILL 233

Motion: Motion by Representative Marks to amend House Bill 233 would be effective at the current level of 50% reimbursement in the first year and go to 100% reimbursement the 2nd year.

Discussion: Rep. Marks said he had talked that over with the individuals and the University people agreed on it, Rep. Brown agreed on it, and everyone on the subcommittee agreed on it. He said he did not have the amendment, but that is

the intent, and the fiscal analyst can work up the amendment.

Amendments, Discussion, and Votes: Voted, passed, unanimous of those present.

Motion: Motion by Representative Marks that House Bill 233, as amended, do pass.

Recommendation and Vote: Voted, passed, unanimous of those present.

DISPOSITION OF HOUSE BILL 774

Motion: Motion by Representative Menahan that House Bill 774 , do not pass.

Discussion: Representative Iverson said he would like to discuss the bill and would like to amend it.

Amendments, Discussion, and Votes: Motion by Representative Iverson to amend House Bill 774 by striking lines 16 and 17 on page 2. He said those roads were not finished anyway.

Recommendation: Voted, passed, unanimous of those present.

Substitute Motion: Substitute Motion by Representative Iverson that House Bill 774 do pass as amended.

Recommendation: Voted, failed.

Discussion: Representative Cody asked how this would affect the contracts and bonding since this is coming out of the Highway fund. Representative Bardanouve said it did not affect those at all, it came out of their operating budget.

Representative Cody asked, this will take \$1 million out of their operating budget for the biennium.

Representative Cody asked Rep. Quilici if they can afford to lose this kind of money out of their operation budget. Rep. Quilici said the Department said not, but if you took this out of the maintenance contract, something else will have to suffer. He said if this passes, we will have to try to give them more money in Finance and Claims when it gets in the Senate.

Representative Iverson said, you heard the commissioners talking this morning and the numbers they are talking about were under half of what this bill estimated. Representative Swysgood asked why it is necessary to appropriate anything for this, why not give them the bill and tell them they have to take care of them and let them figure it out.

Representative Bardanouve said he really believed those counties

1 HOUSE BILL NO. 233

2 INTRODUCED BY D. BROWN, VINCENT, ADDY, WHALEN,

3 SWYSGOOD, MARKS, EUDAILY, LYNCH

4
5 A BILL FOR AN ACT ENTITLED: "AN ACT ALLOCATING
6 REIMBURSEMENTS FOR INDIRECT COSTS OF UNIVERSITY GRANTS AND
7 CONTRACTS TO THE UNIVERSITY SYSTEM; AND PROVIDING AN A
8 DELAYED EFFECTIVE DATE."

9
10 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

11 NEW SECTION. **Section 1.** Allocation of indirect cost
12 reimbursements. Any reimbursement for indirect costs
13 associated with a grant to or contract with the Montana
14 university system or any of its units is allocated to the
15 designated subfund of the university current fund, as
16 provided in 17-2-102, for distribution to the unit receiving
17 the grant or under the contract.

18 NEW SECTION. **Section 2.** Codification instruction.
19 [Section 1] is intended to be codified as an integral part
20 of Title 20, chapter 25, part 4, and the provisions of Title
21 20, chapter 25, part 4, apply to [section 1].

22 NEW SECTION. **Section 3.** Effective date. [This act] is
23 effective July 1, ~~1989~~ 1990.

-End-

THIRD READING

MINUTES

MONTANA SENATE 51st LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By CHAIRMAN PETE STORY, on APRIL 6, 1989, at 8:00 A.M.

ROLL CALL

Members Present: Senator Gary Aklestad, Senator Loren Jenkins, Senator Esther Bengtson, Senator Matt Himsl, Senator Paul Boylan, Senator Tom Keating, Senator Judy Jacobson, Senator Pat Regan, Senator Larry Tveit, Senator Fred Van Valkenburg, Senator Dennis Nathe, Senator Greg Jergeson, Senator Gerry Devlin, Senator Richard Manning, Senator Sam Hofman, Senator Lawrence Stimatz, Senator Ethel Harding, Senator Pete Story

Members Excused: Senator H.W. "Swede" Hammond

Members Absent: None

Staff Present: Clayton Schenck, LFA

Announcements/Discussion: None

HEARING ON HOUSE BILL 233

Presentation and Opening Statement by Sponsor: Representative Dave Brown presented the bill. He said the bill puts indirect costs at 100% recovery at the university level. Indirect costs are incurred by colleges and universities in a process associated with the administration of grants and contracts. These costs are reimbursed by the funding agency in recognition of a large number of institutional resources that are associated with administration research. The reimbursements are intended to report the resource infra-structure, departmental administration, research facilities, research equipment, maintenance, library service, and etc. It is a bonus incentive to produce additional grants and proposals that might benefit the funding agency. He went on further to say that by allowing the university system to keep indirect costs that are associated with grants, for contract research and development it would provide 25 million dollars to the university system.

List of Testifying Proponents and What Group they Represent:

exploratory research can be done.

John Hanson (245) spoke about the contribution and support research has to advancing technology. It also has a significant impact on economic development, he said.

Terry Minnow testified in support of the bill. She urged the Committee to give it a do pass recommendation.

Stacy Farmer, of the Associated Students of MSU, urged serious consideration and support of HB 233.

Questions From Committee Members: Senator Keating asked for a definition of indirect costs.(285)

Carroll Krause replied that indirect costs are funds that included overhead costs in order to provide for possible equipment purchases and include the support costs.

Senator Keating commented that this would include maintenance, utilities, and administration.

Senator Keating asked whether equipment, that was part of the project, would be considered an indirect cost.

Mr. Krause said that specialized research equipment could be a part of the grant itself, but equipment such as a computer would be part of the indirect cost.

Senator Keating asked if some sort of percentage of overheard cost was arrived at.

Mr. Krause replied that state agencies go as low as 8%, but could go as high as 50%. However, most of the federal grants and the private grants range from 25 to 50%, he said. (454)

Senator Keating asked if there was a duplication of certain items.

Mr. Krause replied that there was probably about a 10% duplication of utilities.

Senator Keating asked if there was a 10% duplication in indirect costs or an overlapping.

Mr. Krause said this was the estimate worked out about two years ago, but was not put into specific dollars.

Senator Jenkins asked what the 50% indirect costs had brought in. (520)

Mr. Krause said that just this past year the amount of grants and contracts that were brought in were a 12% increase.

Senator Jenkins asked about the companies that have provided some research funding. Dr. Shirackle replied that many of them are multi-national companies and that the indirect costs provide a leverage and an investment for him to attract these corporations and their funding. He noted that there had not been any major shifting into Montana, however.

(Tape 1-B)

Closing by Sponsor: Representative Brown closed. He addressed Senator Keatings question on what increment of the overhead is duplicated in the system. He pointed out that the university system was failing for educational opportunity, so it was acceptable for companies to come into the state, with the incentive of the faculty, offers research/contract/grants for additional opportunities of education of students, academic rise of the faculty, and the chance for the system to expand. The incentive enhances the activity and raises the level of academic excellence in the system. He asked the Committee to support the bill.

Senator Jacobson moved to concur with HB 233. She also agreed to carry the bill.

DISPOSITION OF HOUSE BILL 233

Discussion: None

Amendments and Votes: None

Recommendation and Vote: The motion carried unanimously.

HEARING ON HOUSE BILL 526

Presentation and Opening Statement by Sponsor: Representative Iverson presented HB 526. He explained that this earmarks the coal tax money on the renewable energy conservation grant loan program. He explained that the program was set up in 1975, because the energy shortage and interest in developing alternate renewable energy. But there has been a change in emphasis and this bill reflects this change by taking the money from that account. He listed the history of other transfers from the account. Because of fiscal problems and a continuing decline in interest the program was discontinued. The assessment of energy, solar, and wind is being picked up 100% with federal funding. He said a program to retro-

DAILY ROLL CALL

FINANCE AND CLAIMS

COMMITTEE - 1989

DATE 4-6-89

NAME	PRESENT	ABSENT	EXCUSED
Senator Gary Aklestad	✓		
Senator Loren Jenkins	✓		
Senator Esther Bengtson	✓		
Senator Matt Himsl	✓		
Senator Paul Boylan	✓		
Senator Tom Keating	✓		
Senator Judy Jacobson	✓		
Senator H.W. "Swede" Hammond			✓
Senator Pat Regan	✓		
Senator Larry Tveit	✓		
Senator Fred Van Valkenburg	✓		
Senator Dennis Nathe	✓		
Senator Greg Jergeson	✓		
Senator Gerry Devlin	✓		
Senator Richard Manning	✓		
Senator Sam Hofman	✓		
Senator Lawrence Stimatz	✓		
Senator Ethel Harding	✓		
Senator Pete Story	✓		

HOUSE BILL NO. 233

INTRODUCED BY D. BROWN, VINCENT, ADDY, WHALEN,
SWYSGOOD, MARKS, EUDAILY, LYNCH

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOCATING
REIMBURSEMENTS FOR INDIRECT COSTS OF UNIVERSITY GRANTS AND
CONTRACTS TO THE UNIVERSITY SYSTEM; AND PROVIDING AN A
DELAYED EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1.** Allocation of indirect cost
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associated with a grant to or contract with the Montana
university system or any of its units is allocated to the
designated subfund of the university current fund, as
provided in 17-2-102, for distribution to the unit receiving
the grant or under the contract.

NEW SECTION. **Section 2.** Codification instruction.
[Section 1] is intended to be codified as an integral part
of Title 20, chapter 25, part 4, and the provisions of Title
20, chapter 25, part 4, apply to [section 1].

NEW SECTION. **Section 3.** Effective date. [This act] is
effective July 1, 1989 1990.

-End-

REFERENCE BILL